

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 XMB-02 /020 W  
----- 026808

R 051215Z MAR 75  
FM AMEMBASSY ASUNCION  
TO SECSTATE WASHDC 4504  
INFO USDOC WASHDC  
AMEMBASSY BRASILIA  
AMEMBASSY BUENOS AIRES  
AMCONSUL RIO DE JANIERO  
AMCONSUL SAO PAULO

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E.O. 11652: N/A

TAGS: BTIO, ENRG, XMB, BR, AR, PA

SUBJECT: ITAIPU PROJECT - ALLIS CHALMERS VISIT

REF: A) STATE 40036; B) ASUNCION 3931

1. EMBASSY COMMERCIAL ATTACHE MET ALLIS CHALMERS  
MANAGER FOR INTERNATIONAL SALES, FRED SIEBENSOHN,  
UPON ARRIVAL FROM RIO FEB 28. AFTER BRIEFING BY  
THE AMBASSADOR, EMBOFFS ACCOMPANIED MR. SIEBENSOHN  
TO THE OFFICE OF ING. HANS W. KRAUCH, JOINT TECHNICAL  
DIRECTOR OF ITAIPU. MAJOR POINTS COVERED IN THE  
CONVERSATION THAT ENSUED FOLLOW.

2. SIEBENSOHN INQUIRED ABOUT THE POSSIBILITY THAT  
DESIGN CHARACTERISTICS OF ITAIPU'S TURBIN GENERATORS  
MIGHT BE CHANGED. KRAUCH REPLIED THAT BECAUSE OF  
TECHNICAL CONSIDERATIONS, AND UNRESOLVED MATTERS  
RELATING TO THE HEIGHT OF THE JOINT PARAGUAYAN/ARGENTINE  
DOWNRIVER "CORPUS" HYDROELECTRIC PROJECT, NO FINAL DECISIONS  
HAVE YET BEEN REACHED, BUT INDICATED THAT A BASIC DESIGN  
PARAMETER HAS BEEN ESTABLISHED, I.E., THE TURBINES WILL  
HAVE AN INTAKE CAPACITY OF 700 CUBIC METERS PER SECOND.

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3. KRAUCH REITERATED THAT MORE THAN ONE FIRM WILL

PARTICIPATE IN THE MANUFACTURE AND SUPPLY OF THE 18  
TURBINE-GENERATOR UNITS. (SEE REFTEL B).

4. KRAUCH ASKED SIEBENSOHN TO PREPARE EVALUATIONS OF  
PERFORMANCE OF THE GENERATION EQUIPMENT BASED ON A HYPOTHESIS OF TURBINE-GENERATOR UNITS DESIGNED FOR  
NOMINAL 50 CYCLE OUTPUT AND OPERATED AT 60 CYCLES, AND  
VICE VERSA. IT APPEARS THAT ITAIPU IS STILL TRYING TO  
RESOLVE THE BRAZILIAN/PARAGUAYAN CYCLE DIFFERENTIAL IN  
ORDER TO ACCOMPLISH MAXIMUM FLEXIBILITY TO SERVE BOTH  
BRAZILIAN AND PARAGUAYAN POTENTIAL NEEDS. KRAUCH REMARKED  
THAT FOR PARAGUAY TO CONVER TO 60 CYCLE OUTPUT AT  
ITAIPU WOULD SIMPLY "SHIFT THE PROBLEM DOWN RIVER"  
WHERE ARGENTINA OPERATES ON 50 CYCLE CURRENT.

5. KRAUCH STATED THAT IT IS EXPECTED THAT BRAZIL WILL  
ASSUME THE RESPONSIBILITY FOR FINANCING ITAIPU'S CIVIL  
WORK BUT THAT PURCHASES OF IMPORTED EQUIPMENT AND MATERIALS  
WILL REQUIRE EXTERNAL FINANCING, PREFERABLY FROM A MULTILATERAL LENDER. ACCORDING TO KRAUCH, ITAIPU'S BRAZILIAN  
TECHNICAL DIRECTOR JOHN COTRIM HAS HAD BROAD EXPERIENCE  
IN ARRANGING FINANCING FOR LARGE SCALE PROJECTS AND WILL CONCENTRATE HIS EFFORTS ON THIS ASPECT OF THE PROJECT  
RATHER THAN TECHNICAL MATTERS.

6. KRAUCH WAS MORE INSISTENT THAN EVER THAT  
PARAGUAY NOT ACCEDE TO ANY SOVIET PARTICIPATION  
IN ITAIPU, DIRECT OR INDIRECT. HE CLAIMED THAT SOVIET  
EXPERTISE IN LARGE HYDRO TURBINES IS NOT WELL ESTABLISHED.  
HE ALSO REITERATED THAT PARAGUAY IS OPPOSED ON POLITICAL  
GROUND TO ANY RELATIONSHIP WITH COMMUNIST COUNTRIES.

7. SIEBENSOHN SAID THAT HIS COMPANY HAD ALREADY BEGUN  
CONVERSATIONS WITH EXIM BANK ABOUT THE BANK'S POSSIBLE  
INTEREST IN THE PROJECT AND URGED SERIOUS CONSIDERATION  
BY ITAIPU OF EXIM BANK AS A POSSIBLE SOURCE OF FINANCING.  
HE STATED THAT ALLIS CHALMERS WOULD BE WILLING TO WORK  
WITH ITAIPU IN ARRANGING FOR EXIM BANK PARTICIPATION.  
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## Message Attributes

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**Channel Indicators:** n/a  
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**To:** STATE  
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